



MISSOURI SENATE

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H:\JASON\Gibbons\memos\property tax rollback memo

TO: Senator Gibbons

FROM: Jason Zamkus, Attorney

DATE: August 15, 2005

RE: Property tax rollbacks

Per your request, the following is a brief discussion of the constitutional and statutory requirements for rolling back property tax rates.

Article X, section 22 of the Missouri Constitution states, "if the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value." Basically, if the assessed value of property within a political subdivision increases by an amount greater than the increase in the general price level, exclusive of new construction and improvements, the political subdivision must roll back property tax rates, adjusted for changes in the general price level in order to maintain revenue neutrality.

Section 137.073, RSMo, requires, "when changes in assessed valuation are entered in the assessor's books, all political subdivisions shall immediately revise the applicable rates of levy for each purpose for each subclass of real property, individually, and personal property in the aggregate, for which taxes are levied to the extent necessary to produce from all taxable property, exclusive of new construction and

improvements, substantially the same amount of tax revenue as was produced in the previous year for each subclass of real property, individually, and personal property in the aggregate, except that the rate may not exceed the greater of the rate in effect in the 1984 tax year or the most recent voter-approved rate."

As provided in Article X, section 22 of the Missouri Constitution, a political subdivision may revise each property tax levy to allow for inflationary assessment growth occurring within the political subdivision. However, the inflationary growth factor for any subclass of real or personal property is limited to the actual assessment growth in such subclass, exclusive of new construction and improvements, and exclusive of the assessed value of any real property which was assessed by the assessor of a county or city in the current year in a different subclass of real property, but not to exceed the consumer price index or five percent, whichever is lower.

In summary, when there is an increase in assessed valuation in excess of the general price level, a political subdivision must roll back property tax rates to maintain revenue neutrality while still allowing for inflationary growth, but such growth is limited to the lower of the increase in the consumer price index or five percent.

It may also be of some interest that under subsection 8 of section 137.073, RSMo, Missouri law specifically grants taxpayer standing where a taxpayer has cause to believe that a taxing authority has not complied with the provisions of section 137, RSMo. In such a case, a taxpayer may make a formal complaint with the prosecuting attorney of the county. Should the prosecuting attorney fail to bring action within ten days of the filing of the complaint, the taxpayer may bring a civil action pursuant to section 137.073, RSMo, and institute an action as a representative of a class of taxpayers within a taxing jurisdiction. In addition to the relief requested in such a class action suit, the court shall assess against a taxing authority found to be in violation of section 137.073, RSMo, the reasonable costs of bringing the action, including reasonable attorney's fees.

Please do not hesitate to contact me if you feel I may be of further assistance.